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TABLE OF CONTENTS

Mission Statement ..... Page 2

Vision ..... Page 3

Values ..... Page 4

Products and Services ..... Page 5

Report from the President and Chief Executive Officer ..... Page 6

The Year In Review: British Columbia's Meeting Place ..... Page 9

The Pacific National Exhibition – A 92-Year Tradition ..... Page 10

Report On Performance ..... Page 12

Future Planning ..... Page 12

The Next 90 Years ..... Page 12

Financial Report ..... Page 15

Corporate Governance Practices ..... Page 27

Our Mission:

We will enhance the
Pacific National Exhibition's
social and economic tradition
of providing fun filled memories
for every guest by continuing to provide
a premier entertainment and
cultural destination.

Our Vision:

The vision of the Pacific National Exhibition ("PNE") is to:

- *Continue to offer British Columbians year-round facility rentals, a seasonal amusement park and the annual summer Fair.*

- *Embrace our tradition of providing dazzling entertainment and fun-filled memories, and in doing so set the standard for family entertainment in British Columbia.*

- *Become the hub of all social and cultural activities in Vancouver through obtaining a long-term relationship with the City of Vancouver.*

Our Values:

The Pacific National Exhibition's vision is driven by a set of values and ethics:

1. Guest service and satisfaction are the reasons we are in business.

2. We provide the best entertainment value for our guests in a clean, safe and fun environment.

3. We build on our history and tradition while creating our future.

4. We treat all individuals with honesty, fairness, dignity and respect.

5. We are flexible, innovative, creative and proactive.

6. We are committed to the growth and profitability of the organization.

7. We work together and support each other to achieve corporate and individual potential.

8. We are results driven, externally focused and continuously improving.

9. We act as a socially and environmentally responsible corporate citizen.

Our Products and Services:

After 92 years in operation the Pacific National Exhibition has established itself as one of the jewels in Vancouver City's tourism crown. It provides a host of products ranging from its Playland Amusement Park and annual three-week Fair to its trade show, film production and concert venues.

From the 114-acre Hastings Park site on which the PNE operates, it provides:

1. Affordable and safe environment for family fun
2. A venue that builds social capital in Vancouver City through unique partnerships with cultural and other community groups
3. Support to small and medium sized businesses
4. Over $80.5 million in direct and indirect economic spin-off annually
5. Full-time, part-time, and seasonal employment for 4,000 people of whom 2,600 are youth
6. An annual $2.5 million contribution to Vancouver City's Hastings Park site maintenance costs
7. Nine acres dedicated to Playland and its 28 electrifying rides, dazzling entertainment and unique special events
8. A venue that in 2001 hosted 1,889 event days that included trade and consumer shows, conventions, concerts, meetings, seminars, rallies, banquets, film studio and commercial shoots, agricultural shows and sporting events

The PNE's market remains focused on the Greater Vancouver area, but its client base extends far beyond the Lower Mainland. In addition to Playland and the annual Fair, the Pacific National Exhibition caters to a growing clientele in the film production, concert, sports and special events industries.

Report from the President & Chief Executive Officer

2001 has been a year of challenges for the Pacific National Exhibition. As a corporation, we have set our goals high and begun the process of achieving those goals. We remain committed to providing British Columbians with premier family entertainment and inventive new programming. At the same time we provide a link to this province's rich history and agricultural roots. Over the past 92 years, the PNE has evolved to stay relevant to its guests, while maintaining the core values of affordable family entertainment and the promotion of BC's agricultural heritage.

The PNE operates three interdependent business streams – Year-Round Facility Sales, Playland Amusement Park and, of course, the annual summer Fair. This forward-thinking business model has made the PNE a self-sufficient entity and a model for other North American fairs.

The PNE's long-term lease ended in 1994 when the City of Vancouver decided to reclaim the park for recreational use. The PNE has been granted a number of short-term extensions to their lease, but the City has appropriated sections of the park, demolished facilities, and developed green space and recreational land previously used for PNE services. Despite this, the PNE has continued to maintain a financially viable corporation while operating within a shrinking footprint at the Hastings Park location.

Increased amortization and operating costs associated with not knowing the PNE's tenure, along with relocation costs, have contributed to an accumulated deficit. Despite these challenges, PNE management has instituted a plan to achieve profitability in 2002 and retire the operating deficit by 2005.

The Vancouver Park Board's site-wide greening program continued in 2001, with the demolition of the former Empire Stadium bowl on Hastings Park's east side. The development of that space represented a significant loss to the corporation, in both parking and programming revenue opportunities.

The PNE was again challenged with finding new ways to recover lost revenue on its changing site.

One of those success stories was the repositioning of the PNE as Vancouver's "alternative venue," which result in the PNE hosting a wide variety of independent productions. Aggressively marketing itself as the home of flexible, well staffed and multi-use buildings drew the attention of concert promoters, location managers and show producers. The result was a banner year for year-round activity.

During 2001, the PNE hosted over 1,889 on-site event days and generated gross revenue of $7.0 million, an increase of $2.4 million over 2000.

Top 30 North American Fairs by Total Attendance

State Fair of Texas
Houston (TX) Livestock Show & Rodeo
State Fair of Oklahoma
State Fair of Minnesota
Canadian National Exhibition
Western Washington Fair
Los Angeles (CA) County Fair
Del Mar (CA) Fair
Eastern States Exposition (MA)
Calgary Stampede
Tulsa (OK) State Fair
State Fair of Illinois
State Fair of Arizona
Pacific National Exhibition (BC)
San Antonio (TX) Stock Show & Rodeo
Erie County (NY) Fair
State Fair of Ohio
State Fair of Iowa
State Fair of New York
California Expo & State Fair
State Fair of Wisconsin
Evergreen (WA) State Fair
Southwestern (TX) Expo & Livestock Show
Dade County (FL) Fair & Expo
State Fair of Indiana
Klondike Days (AB)
Orange County Fair (CA)
Bloomsburg Fair (PA)
State Fair of Colorado
State Fair of North Carolina

Source: Amusementbusiness.com 1999

Despite success in year-round events, it was a difficult year to be in the amusement park business in Vancouver. The corporation's Playland division was hit by unusually inclement weather and a major transit strike that cut into expected earnings. By season's end Playland had generated $6.4 million in gross revenue, down from $6.6 million in 2000. Playland's 2001 attendance reached 266,000.

Financial Performance

As a corporation, the Pacific National Exhibition continued to take measures to improve the corporation's financial position in 2001.

Discussions regarding overall PNE corporate philosophy led to some key programming decisions. Management agreed that future corporate viability was entirely dependent on profitability. In turn, the decision to assess all business dealings by focusing on financial return reinvigorated the corporation.

During 2001, development of new attractions and programming, combined with a $2.4 million increase in year round event revenue and a GST recovery of $1.2 million culminated in a significant increase in revenue and operating income. These gains were offset by execrated changes for amortization on capital assets as a result of the short-term tenure at Hastings Park.

The PNE turned a financial corner in 2001, realizing a net profit of $56,465 versus a loss of $622,995 in 2000.

The improvements in profitability, along with the new corporate business philosophy, provide the Pacific National Exhibition with the foundation to meet its financial objectives.

Acknowledgements

Overall, the Pacific National Exhibition enjoyed a successful year in 2001. Our year round business was strong and our profitability improved due, in no small part, to the exemplary efforts of employees at all levels. At the PNE, our people truly are the foundation of our business.

The Pacific National Exhibition would also like to thank the departed Board of Directors for their advice and counsel during their time on the board:

Ian Aikenhead, President
Carol Nielson, Vice-President
George Chen
Tom Fawkes
Merrilee Robson
Don Bellamy
Dave Long
Carole Olsen
Alfonso Osorio
John Plul

Shane Simpson
Amrik Sangha

In particular, we would like to thank departed board member Don Bellamy for his over fifty year's involvement with the PNE. All those who know Don will agree that his work at the Pacific National Exhibition goes further than that of a civic-minded volunteer. During his more than five decades with the PNE, Don provided countless hours working with the PNE Parade, the Board of Directors, the Agriculture Advisory Committee as well as with untold programs and committees. He is respected throughout the extended PNE family of management, staff, exhibitors and contractors. Thanks Don!

Our Future:

Following an intensive review by the Core Services task force, the PNE was directed to begin discussions with the City of Vancouver for the transfer of its operations to the City, and to dispose of the land acquired in 2001 for relocation purposes.

The PNE's new directive is clear. The corporation must shape its own future in light of new competitive marketplace challenges. We must maximize each of our three business streams at the Hastings Park site to properly position ourselves for a viable future. We believe the current location offers the Corporation a strong future. We are enthusiastic about the possibility of a long-term agreement with the City of Vancouver.

The PNE is fortunate to be building our future on the strength of our past. The Pacific National Exhibition is British Columbia's premier entertainment and event location. It generates more than $80.5 million in direct and indirect economic spin-off yearly and employs 4,000 people throughout the course of the year, of whom 2,600 are youth. The PNE adds a unique jewel to the provincial tourism crown. The PNE proudly looks to the future as a strong, viable corporation with a clear direction.

And finally, in helping achieve the corporation's future goals, the PNE welcomes its new Board of Directors: Douglas Callbeck (Chair), Steven Hollett and Christopher Nelson.

Annette Antoniak
President and Chief Executive Officer
Pacific National Exhibition

The Year In Review: British Columbia's Meeting Place

The Pacific National Exhibition Crown corporation generates revenue from three business streams: the annual 17-day Fair, the Playland Amusement Park and year-round rental of the buildings and facilities. During 2001 the estimated economic spin-off from the three revenue streams topped $80.5 million.

The facilities, meanwhile, attracted more visitors to its 200-plus on-site events than did any other venue in the province. In all, over two million people attended a sporting match, trade show, concert, exhibition, convention or other event at the PNE during 2001.

The PNE hosted conventions for over 25% of all delegates in British Columbia in 2001. The corporation manages five buildings on the Hastings Park site: the Pacific Coliseum, Rollerland, the Garden Auditorium, the Forum and the Agrodome. With a combined total of 267,644 square feet, they represent BC's largest venue for trade fairs and conventions and account for a fifth of Vancouver's entire convention space.

The PNE has also become one of BC's busiest on-site movie and television production locations. In 2001 it grossed over $1.5 million in rental fees for 1,545 production days.

Approximately one million people visit the PNE Fair each year and another 266,000 attend Playland Amusement Park.

Based on attendance, the annual Fair is the second largest in Canada and the fourteenth largest in North America.

Our People

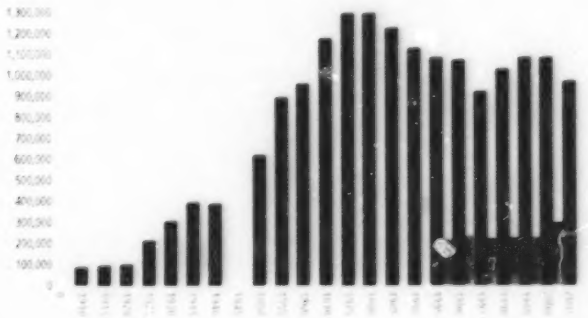
One of the PNE's proudest achievements is the corporation's reputation for employing and training generations of young British Columbians. The PNE Crown corporation is one of the province's largest employers of youth. It has focused on providing valuable and transferable job skills in such areas as customer service, teamwork, communications, hospitality, finance, warehousing, public safety and security, agriculture and entertainment.

On December 31st, 2000, the collective agreement between the PNE and its 3200 unionized employees represented by CUPE ended. The corporation began collective bargaining in the spring of 2001. After several months of negotiations a new three-year agreement was struck.

PNE Fair & Playland Attendance

■ *PNE Fair attendance*

▩ *PNE Fair attendance*



Source: PNE Archives

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The Pacific National Exhibition
A 92-Year Tradition

The Fair at the PNE

A beloved end-of-summer tradition for generations, the PNE Fair has been entertaining British Columbians since 1910. Originally established to showcase the best of this province to the world, the PNE remains the largest and best attended tourist event in British Columbia. The Fair's 2001 attendance totaled 952,291. An 8% increase in per cap spending by visitors contributed to a 2001 Fairtime revenue of $20.2 million, up $0.3 million vs. 2000.

In total, over 60 million people have attended the PNE since it began over eight decades ago.

In all, the Fair at the PNE generated 4,000 on-site jobs. The Fair's workforce included 2,600 young people, making the PNE one of the largest employers of youth in B.C.

For a ticket price of $8 per person (adult admission), PNE visitors took in hundreds of different events, exhibits and attractions. The 2001 PNE hosted the world debut of Cirque Pop, an original production that combined a traditional circus with the magic and theatrics of cirque! Held four times daily in the historic Garden Auditorium, Cirque Pop proved to be instantly popular and wildly successful. It played to packed houses throughout the seventeen days of the Fair.

The PNE also reinvented and revitalized the traditional demolition derby. Monster Motor Madness, held three times daily during the Fair, combined the excitement of monster trucks with the thrill of stunt driving and motorcross.

2001 also saw the debut of Outrageous!, which was staged on the Agrodome's roof, and featured a live cast of 50 young people. The RCMP Musical Ride was another success for the 2001 Fair. In its first appearance at the Fair since 1996, the Ride drew standing-room-only crowds to each performance.

Other traditional favourites such as the Eukanuba Superdogs, the PNE Prize Home tours, Fire in the Night and the Agricultural Area rounded out the Fair's entertainment program.

Customer loyalty to the Fair is extremely high, with the majority of visitors returning year-after-year. Consistently rated by our guests as 'excellent' or 'good', the Fair continues to speak to the hearts of fair-goers of all ages. Its appeal crosses the boundaries of all social and demographic groups.

The PNE raises funding through it's Prize Lottery Program for its non-revenue producing attractions such as agriculture, as well as seniors and kids talent events. In 2001, the lottery generated $1.9 million in net revenue to fund the aforementioned programs.

In 2001, the Fair at the PNE generated over $20 Million in revenue for the corporation.

Facility Sales and Year-Round events

The Pacific National Exhibition is home to seven building complex's totaling over 250 thousand square feet of space on the Hastings Park site.

The versatility of these venues appeals to Vancouver's growing business, cultural, religious and sporting communities.

In 2001, the PNE hosted 1,889 event days including trade and consumer shows, conventions, concerts, meetings, seminars, rallies, banquets, film studio and commercial shoots, agricultural shows and sporting events. In total, these events contributed approximately $7.0 million in gross revenue to the corporation.

housands of visitors to the PNE grounds enjoyed events as diverse as the Guess Who, Don Moen & Friends, Jen Hsien, GooGoosh, Vaisakhi Mela, and Indo Canadian musical concerts; the BC High School Boy Basketball Competition, Muay Thai Boxing, Chinese Table Tennis Open, WWE Wrestling, World Skating Championships, Slam City Jam, Motorcross, and Oldtimers Hockey sporting events; and, Muslim Eid Prayer, Catholic Educators, and Watchtower religious events.

A particular highlight of PNE 2001 was the return of major-junior hockey to Vancouver and the Pacific Coliseum. The PNE secured a five-year contract with the Western Hockey League (WHL) franchise, The Vancouver Giants. The Giants began their inaugural season in the fall. Vancouver's sports fans enthusiastically embraced the new team, with the Giants selling out their season opener and averaging over 4,500 fans per game for the rest of the 2001/2002 season.

Playland Amusement Park

Over nine acres of the PNE site is dedicated to its Playland Amusement Park division. As British Columbia's largest amusement park, it offers 28 permanent rides for thrill seekers of every age.

Open from April through September (full time from June), Playland employs over 40 full-time personnel and as many as 872 seasonal staff.

Revenues of approximately $6.4 million, $0.2 million less than 2000, were realized during the 2001 operating season, based on attendance figures of approximately 266,000 visitors.

This figure was slightly off the 2000 revenues, due to inclement weather in the spring portion of the season and a transit strike. With Playland's core demographic (youth aged nine to 18) dependent on transit to get to the park, the strike was Playland's second setback in 2001.

Report on Performance

In all, 2001 was a year of transition for the corporation. Under the direction of the President and CEO, the corporation continued to be restructured to improve profitability.

This new vision in the corporate philosophy helped in the move towards improving the corporation's bottom line.

The PNE's year-round sales division generated a record $7.0 Million in revenue, a substantial increase over 2000.

Although the 17-day long Fair at the PNE fell short of its attendance goals, improved spending by guests generated over $20 million in revenue.

Playland Amusement Park suffered two major setbacks: inclement weather and a regional transit strike. Both factors contributed to a 3% reduction in revenue relative to 2000.

The PNE, through a review of accounting systems, realized a GST refund of $1.2 million in 2001.

Overall, 2001 was a year of transition for the PNE. Through the above outlined events, the PNE turned a financial corner and turned a loss of $622,995 in 2000 into a profit of $56,465 in 2001.

Future Planning

The PNE's management team has enthusiastically developed and embraced a plan to improve its financial position, and to restore the PNE to profitability.

The business case for financial improvement is strong and realistic, based on a strong budgeting process that implements:

1 Cost control

2 A "bottom up" budget to ensure commitment across the organization

3 Strengthened accountability systems to achieve budgeted results

4 Future investments in capital assets will be based on quick payback business cases

The Next 90 Years

Although the challenges ahead are many, now is the time to celebrate. With a new outlook for the PNE's future, the corporation is poised to begin an exciting time.

The PNE is enthusiastic about its achievements, confident in its strengths, excited about its opportunities and bold in its vision. The Pacific National Exhibition holds a place in the collective heart of British Columbia. The PNE looks to the future to continue to create your memories, and those of your children.

At the forefront of the challenges facing the PNE in the coming year is the ability to secure a long-term business agreement with the City of Vancouver at the Hastings Park site.

Working with the new government partners in Victoria, we see 2002 as a year of great opportunities for the corporation. We have a strong internal management team, which is enthusiastically focused on the new business philosophy and plan.
We proudly remain British Columbia's oldest and best-loved tourist event.

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Pacific National Exhibition

Combined Financial Statements
December 31, 2001

PRICEWATERHOUSECOOPERS

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March 1, 2002
(except for note 9, which is as of May 17, 2002)

Auditors' Report

To the Directors of
Pacific National Exhibition

We have audited the combined balance sheet of **Pacific National Exhibition** as at December 31, 2001 and the combined statements of changes in net assets, revenue and expenditures and cash flows for the year then ended. These financial statements are the responsibility of the Exhibition's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these combined financial statements present fairly, in all material respects, the financial position of the Exhibition as at December 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Pacific National Exhibition Incorporation Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

PricewaterhouseCoopers LLP

Chartered Accountants

PricewaterhouseCoopers refers to the Canadian firm of PricewaterhouseCoopers LLP and other members of the worldwide PricewaterhouseCoopers organization.

Pacific National Exhibition

Combined Balance Sheet

As at December 31, 2001

	2001 $	2000 $
Assets		
Current assets		
Cash	-	34,404
Restricted cash (note 5)	89,235	-
Accounts receivable	3,317,937	864,723
Inventories	557,604	489,902
Prepaid expenses	93,889	37,060
Land held for sale (note 9)	20,577,761	-
	24,636,426	1,426,089
Property, plant and equipment (notes 3 and 5)	6,378,940	7,905,605
	31,015,366	9,331,694
Liabilities and Net Assets		
Current liabilities		
Overdraft	31,370	-
Accounts payable and accrued liabilities	2,752,678	2,142,237
Bank loans (note 4)	24,908,089	2,480,000
Deferred revenue	236,194	146,046
Deferred contributions (note 5)	89,235	1,118,681
Current portion of obligations under capital leases (note 6)	1,243,253	912,042
	29,260,819	6,799,006
Deferred contributions (note 5)	620,888	212,242
Obligations under capital leases (note 6)	4,718,335	5,961,587
	34,600,042	12,972,835
Net assets		
Net assets invested in property, plant and equipment	(203,536)	819,734
Unrestricted net assets	(3,381,140)	(4,460,875)
	(3,584,676)	(3,641,141)
	31,015,366	9,331,694

Going concern assumption (note 1)

Commitment (note 8)

Approved by the Board of Directors

_____ Director

_____ Director

Pacific National Exhibition

Combined Statement of Changes in Net Assets

For the year ended December 31, 2001

			2001	2000
	Invested in property, plant and equipment $	**Unrestricted $**	**Total $**	**Total $**
Net assets - Beginning of year	819,734	(4,460,875)	(3,641,141)	(3,018,146)
Excess (deficiency) of revenue over expenditures for the year	(2,071,368)	2,127,833	56,465	(622,995)
Purchase of property, plant and equipment with unrestricted funds	136,057	(136,057)	-	-
Principal payments under capital leases	912,041	(912,041)	-	-
Net assets - End of year	(203,536)	(3,381,140)	(3,584,676)	(3,641,141)

Pacific National Exhibition

Combined Statement of Revenue and Expenditures

For the year ended December 31, 2001

	2001 $	2000 $
Revenue		
Events	34,103,244	31,174,658
Province of British Columbia contribution	17,500	17,500
Amortization of deferred contributions (note 5)	620,800	106,077
GST recovery (note 10)	1,217,637	-
	35,959,181	31,298,235
Operating expenditures	32,285,366	29,723,115
Operating earnings	3,673,815	1,575,120
Other expenditures		
Amortization	2,598,908	1,807,544
City of Vancouver (note 8)	150,000	-
Interest on bank loans - net of interest revenue	290,491	260,926
Interest on capital leases	484,691	129,645
Loss on disposal of property, plant and equipment	93,260	-
	3,617,350	2,198,115
Excess (deficiency) of revenue over expenditures for the year	56,465	(622,995)

Pacific National Exhibition

Combined Statement of Cash Flows

For the year ended December 31, 2001

	2001 $	2000 $
Cash flows from operating activities		
Excess (deficiency) of revenue over expenditures for the year	56,465	(622,995)
Items not affecting cash		
Amortization	2,598,908	1,807,544
Amortization of deferred contributions	(620,800)	(106,077)
Loss on disposal of property, plant and equipment	93,260	-
	2,127,833	1,078,472
Net change in non-cash working capital items	(1,877,156)	1,520,762
	250,677	2,599,234
Cash flows from financing activities		
Contributions received to acquire property, plant and equipment	-	1,437,000
Increase (decrease) in bank loans	22,428,089	(3,310,000)
Principal payments under capital leases	(912,041)	(356,235)
	21,516,048	(2,229,235)
Cash flows from investing activities		
Purchase and development of land	(20,577,761)	-
Net purchase of property, plant and equipment	(1,165,503)	(398,206)
	(21,743,264)	(398,206)
Increase (decrease) in cash	23,461	(28,207)
Cash - Beginning of year	34,404	62,611
Cash - End of year	57,865	34,404
Cash comprises		
Restricted cash	89,235	-
(Overdraft) cash	(31,370)	34,404
	57,865	34,404
Supplementary information		
Non-cash financing activity		
Increase in capital lease obligations	-	7,117,916
Non-cash investing activity		
Property, plant and equipment additions financed with capital leases	-	(7,117,916)
Interest paid	1,389,131	305,102

1 Going concern assumption

These financial statements have been prepared using Canadian generally accepted accounting principles applicable to a going concern. The use of such principles may not be appropriate because, as of December 31, 2001, there are a number of uncertainties with respect to the future operations of the Pacific National Exhibition (the Exhibition).

The Exhibition was incorporated by the Province of British Columbia (the Province) under the Pacific National Exhibition Incorporation Act of British Columbia for the purpose of furthering agricultural and other industries, and promoting community development. The Exhibition is a not-for-profit entity and, accordingly, no income tax provision or related accounts are presented in these combined financial statements. The Exhibition operates on a site (Hastings Park) owned by the City of Vancouver (the City).

In 1999, City Council approved an extension of the Exhibition's use of Hastings Park, in the form of an Operating Agreement (the Agreement) which as at December 31, 2001 remains unsigned. The significant terms of the Agreement are as follows:

- The term of the Agreement will be for three years commencing January 1, 2000 and terminating December 31, 2002.
- The City will continue to restore Hastings Park during the term of the Agreement.
- The Exhibition will pay an operating fee to the City of $1 per year.
- The Exhibition will pay for the maintenance and operating costs associated with the premises.
- The City will contribute to the maintenance of Hastings Park only in those years where the Exhibition incurs an operating loss as defined in the Agreement. The City's annual contribution will be equal to the lesser of $300,000 or the amount of the operating loss incurred in the year. The definition of operating loss under the Agreement is still under discussion and no recovery was recorded for the years ended December 31, 2001 and 2000.

During 2001, the Province conducted a Core Services Review of the Exhibition and directed the Exhibition to explore the possibility of transferring ownership of the Exhibition from the Province to the City. As at December 31, 2001, the City and the Province had not reached an agreement and were engaged in discussions regarding the future ownership and operation of the Exhibition.

The uncertainty surrounding the future operations and ownership of the Exhibition has meant that management has been unable to effectively estimate, with any degree of certainty, the amount, if any, of shutdown costs. Accordingly, no provision has been made in these combined financial statements for shutdown costs. The ultimate cost, if any, cannot be determined until the future and format of the Exhibition is determined.

As at December 31, 2001, the Exhibition had a working capital deficiency of $4,624,393 and a net asset deficiency of $3,584,676. Additionally, the Exhibition's bank loans are repayable in 2002. During 2001, the Exhibition purchased land in Surrey, B.C. for $19 million which was financed with a bank loan. It was management's initial intention to develop the land in Surrey and move the Exhibition's operations from Hastings Park. In November 2001, the Province directed the Exhibition to sell the land (note 9).

The Exhibition's ability to continue as a going concern depends on its ability to generate operating profits in the near future, continued support from the Province, renewal of its banking facilities, determination of its future ownership including a possible sale to the City or another party, and its ability to remain at the current site.

These combined financial statements do not reflect adjustments to the carrying value of assets and liabilities, the reported revenues and expenses and balance sheet classifications used that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

2 Summary of significant accounting policies

Principles of combination

These combined financial statements include the Exhibition and its wholly owned subsidiary which owns the land held for sale.

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenditures for the reporting period of the combined statement of revenue and expenditures. Actual results could differ from those estimates.

Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated amortization.

The Exhibition amortizes its assets on a straight-line basis to estimated salvage values over the remaining term of the Agreement, which expires December 31, 2002. Management has estimated total salvage values to be $3,780,000.

Inventories

Inventories consist of stores, plush toys, food and beverages, and are valued at the lower of cost and replacement cost.

Revenue recognition - contributions

The Exhibition follows the deferral method of accounting for contributions. Contributions are recorded as revenue when received or receivable except when the donor has specified that they are intended for use in a future period, in which case they are deferred. Contributions are recognized when receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions received to fund property, plant and equipment acquisitions and improvements are deferred until the specified expenditures are incurred. These contributions are recognized as revenue on the same basis as the related property, plant and equipment and improvements are amortized.

Deferred revenue

Advertising revenue for long-term contracts is recognized on a straight-line basis over the term of the related contract. Deferred revenue also comprises deposits for events which are not recognized in revenue until the event is held.

3 Property, plant and equipment

			2001	2000
	Cost $	Accumulated amortization $	Net $	Net $
Machinery, furniture and equipment	2,973,873	2,493,462	480,411	379,220
Playland rides and equipment	6,404,118	4,844,157	1,559,961	1,613,768
	9,377,991	7,337,619	2,040,372	1,992,988
Leased assets	7,359,020	3,020,452	4,338,568	5,912,617
	16,737,011	10,358,071	6,378,940	7,905,605

4 Bank loans

The Exhibition has the following credit facilities with a Canadian chartered bank:

	2001		2000	
	Available $	**Outstanding $**	**Available $**	**Outstanding $**
Operating line	12,000,000	5,215,000	12,000,000	2,480,000
Land acquisition loan	22,433,000	19,693,089	-	-
Seasonal operating line	3,000,000	-	3,000,000	-
	37,433,000	24,908,089	15,000,000	2,480,000

The operating line bears interest at prime rate. All amounts borrowed under the operating line are due and payable in full on July 1, 2002 unless the bank agrees, prior to the maturity date, to convert the operating line into a demand loan or to renegotiate the facility.

The land acquisition loan was used to finance the purchase of land (note 9). The loan bears interest at prime rate, and is payable at the earlier of August 31, 2002 or the receipt of proceeds from the sale of the land.

The seasonal operating line is available from June 15, 2002 until September 15, 2002 and can only finance seasonal costs associated with the Exhibition's annual fair in excess of the $12 million operating line. The facility bears interest at prime rate. All amounts borrowed under the seasonal operating line are due and payable in full on September 15, 2002 unless the bank agrees, prior to the maturity date, to convert the seasonal operating line into a demand loan.

A general security agreement covering all assets and undertakings of the Exhibition has been provided as security for the operating line and seasonal operating line. Additionally, the Province has provided a guarantee for the $12 million operating line and the land acquisition loan.

The guarantee by the Province of the Exhibition's bank loans includes the amount of any letters of credit outstanding. Letters of credit outstanding total $45,000 as at December 31, 2001.

5 Deferred contributions

During 2000, $1,437,000 was received from the Province to fund capital upgrades and improvements to the Exhibition's facilities. Of this amount, $1,029,446 was spent in 2001 (2000 - $318,319) on specified projects. The unspent balance of $89,235 is recorded as restricted cash, in a separate bank account and will be utilized in future years. As at December 31, 2000, the unspent balance was $1,118,681 which was used to temporarily reduce the Exhibition's operating line of credit (note 4). During 2001, the amount was transferred to a separate bank account.

	$
Balance - Beginning of year	212,242
Add: Contributions used to acquire property, plant and equipment	1,029,446
Less: Amounts amortized to revenue	(620,800)
Balance - End of year	620,888

6 Obligations under capital leases

The future minimum lease payments under capital leases are as follows:

	$
Year ending December 31	
2002	1,641,020
2003	2,561,981
2004	761,313
2005	1,950,087
2006	-
	6,914,401
Less: Amount representing interest	(952,813)
	5,961,588
Less: Current portion	(1,243,253)
	4,718,335

Interest rates on capital leases average 7.27% annually.

The capital leases provide that at the end of the respective lease terms, the Exhibition is required to either extend the term of the lease, purchase the asset based on a pre-determined purchase option price, or return the asset to the lessor and pay the lessor any shortfall between the fair value of the asset upon return and a pre-determined residual value.

The above schedule of lease payments assumes that the purchase options are exercised at the end of the lease term.

7 Superannuation fund

The Exhibition contributes to the Municipal Pension Plan (the Plan), a jointly trusted pension plan governed by the B.C. Public Sector Pension Plans Act. The pension plan is a multi-employer contributory defined benefit pension plan with more than 125,000 active contributors. Joint trusteeship was established on April 5, 2001. The board of trustees, representing plan members and employers, is fully responsible for the management of the Plan, including investment of the assets and administration of the Plan. The British Columbia Pension Corporation provides benefit administration services and the British Columbia Investment Management Corporation provides investment management services for the Plan.

Every three years an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of the Plan funding. The actuary does not attribute portions of any surplus or unfunded liability to individual employers. Contributions to the Plan by the Exhibition are expensed in the year payments are made.

8 Commitment

During 2000, the City agreed to repair the roof of the Coliseum building on the understanding that the Exhibition would contribute to the costs associated with the work. The Exhibition and the City have agreed that, subject to formal documentation and subject to the use of the Coliseum during the period by the Vancouver Giants WHL hockey team, the Exhibition will contribute to these repairs. During the year ended December 31, 2001, the Exhibition accrued $150,000 and has committed to paying a further $100,000 in 2002.

9 Land held for sale

On May 25, 2001, the Exhibition purchased land in Surrey, B.C. for $19 million as a potential site for the relocation of the Exhibition. During the year, the Exhibition capitalized $1.58 million of costs in relation to developing this property including $606,000 of interest. In November 2001, the Province directed the Exhibition to dispose of the land.

On May 17, 2002, the Exhibition completed the sale of the land to the Province for $21 million, which equalled the carrying value at the date of the sale.

10 GST recovery

During 2001, the Exhibition reviewed its previously filed GST returns for the last four years. As a result of this review, the Exhibition refilled its GST returns and subsequent to year-end, received a one-time net refund of $1,217,637 from the Canada Customs and Revenue Agency.

Corporate Governance Practices

The Pacific National Exhibition is a provincial Crown corporation. The company's business affairs are the responsibility of the Board of Directors, a provincially appointed body. The PNE's Board of Directors is committed to ensuring its corporate governance practices are open and effective, and that the Board is fully accountable.

The Board discharges responsibility of day-to-day operations by holding accountable management that reports to the Board. The staff is led by the President and CEO, who in turn selects and oversees the rest of the management team.

The Board recognizes the need for, and encourages management, under the direction of the CEO, to make clear and appropriate executive decisions. In essence, the role of the Board members is to be constructive critics as well as supporters.

The Pacific National Exhibition's Board of Directors assumes responsibility for the stewardship of the corporation. Its primary objectives are to showcase the people and culture of British Columbia to the world and, in turn, to showcase the entertainment and cultural events of the world to the people of British Columbia.

During 2001, the corporation held monthly board meetings. In addition, a number of committee meetings were held with representatives of the Board sitting on each committee.

Board of Directors

Douglas Callbeck (Chair)
(August, 2001 – present)

Steven Hollett
(August, 2001 – present)

Christopher Nelson
(August, 2001 – present)

Committee Board Representative

Executive and Finance Committee
Ian Aikenhead, Chair (Jan. – Aug., 2001)

Agriculture Advisory Committee
Carole Olsen, Chair (Jan. – Aug., 2001)

Entertainment Committee
Tom Fawkes, Chair (Jan. – Aug., 2001)
Don Bellamy, Chair (Jan. – Aug., 2001)

Marketing Committee
John Plul, Chair (Jan. – Aug., 2001)

Hospitality Committee
Don Bellamy, Chair (Jan. – Aug., 2001)
Dave Long, Chair (Jan. – Aug., 2001)

Neighbourhood Impact Committee
Merrilee Robson, Chair (Jan. – Aug., 2001)
Shane Simpson, Chair (Jan. – Aug., 2001

Relocation Committee
Ian Aikenhead, Chair (Jan. – Aug., 2001)